

NEW APPLICATION



0000010215

ORIGINAL



SOUTHWEST GAS CORPORATION

RECEIVED

2004 SEP 21 P 1:22

Roger C. Montgomery, Vice President/Pricing

AZ CORP COMMISSION
DOCUMENT CONTROL

September 17, 2004

Mr. Ernest J. Johnson
Director, Utilities Commission
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007-2996

Arizona Corporation Commission

DOCKETED

SEP 21 2004

DOCKETED BY

AL

RE: Advice Letter No. 04-09-01

Dear Mr. Johnson:

Subject: Docket No. G-01551A-00-0309
Decision No. 64172

G-01551A-04-0686

The purpose of this filing is to change Schedule T-1, Transportation of Customer-Secured Natural Gas, to modify the calculation of imbalance penalties.

In Decision No. 64172, the Commission directed Southwest to file a tariff within 30 days to reflect the actual costs of each unit of gas provided under Schedule No. T-1. Decision No. 64172 further directed Staff to review the filing and recommend a resolution to the Commission within 120 days of receiving the filing. Southwest made its required filing on November 29, 2001. Staff made its recommendation to the Commission in a report dated April 1, 2002. Staff recommended that implementation of the proposed tariff change be delayed until such time that the El Paso proceedings before the FERC regarding Southwest's conversion from full requirements to contract demand service were finalized. Southwest is no longer a full requirements customer of El Paso, but instead has a defined contract demand level with the upstream pipeline. To the extent the November 29, 2001 advice letter has not been administratively closed, Southwest requests that it be withdrawn and replaced by this advice letter.

Pursuant to recent discussions between Staff and Southwest, enclosed are tariff revisions to change the methodology for the calculation of Negative Excess Imbalance charges applicable to customers under Schedule No. T-1,



Mr. Ernest J. Johnson
September 17, 2004
Page 2

to one that utilizes an average of gas purchased at the highest incremental prices for the month, in lieu of the single highest incremental purchase for the month that is currently used. The highest prices and the associated volumes purchased through those transactions are accumulated until an amount equivalent to the total Negative Excess Imbalance Volume is achieved. A weighted average cost of those volumes will then be calculated. That amount, plus the applicable upstream interstate transportation charges, will be applied to the volumes to be eliminated through the Imbalance Charge. Southwest will continue to compare one hundred-fifty percent (150%) of the Gas Cost component of the Base Tariff Rate to the rate calculation described above and bill the higher of the two charges.

Respectfully submitted,

SOUTHWEST GAS CORPORATION

By: *Roger C. Montgomery*
Roger C. Montgomery

Attachments

- c ACC Docket Control Office (original & 13 copies)
Mr. Stephen Ahearn, Residential Utility Consumer Office

Schedule No. T-1

TRANSPORTATION OF CUSTOMER-SECURED NATURAL GAS
(Continued)

7. TRANSPORTATION IMBALANCE SERVICE (Continued)

- (ii) The weighted average cost of gas for the highest incremental purchases during the same month. The average will be determined by first weighting the highest priced gas purchased by the Utility during the month by the number of therms purchased at that price. The total therms to be allocated in this manner are equivalent to the total number of negative excess imbalance therms to be cashed out for the month. The weighted average cost of gas will also include any applicable upstream interstate transportation charges, such as fuel and variable transportation charges. A charge equal to the Utility's monthly average interstate transportation reservation cost is also included in the weighted average cost of gas.
- 7.3 Subject to mitigation through imbalance trading, if a customer is assessed an imbalance charge based on Utility billing information that is later determined to be in error, the portion of the imbalance charge not assessable based on the corrected billing information shall be reversed on the customer's bill without interest. If a customer is not assessed an imbalance charge based on Utility billing information that is later determined to be in error, the customer shall be billed for any applicable imbalance charges determined to be assessable based on the revised billing information. The original negative imbalance charge rate that is calculated for the applicable month will be used in any subsequent billings.
- 7.4 Should a customer elect to discontinue taking service under this schedule and change to a sales service schedule, the Utility may allow, in its sole good faith judgment, any remaining imbalance within the applicable operating window to be cleared as follows:
- (a) The Utility shall credit the customer for any positive imbalance quantity at a price equal to the lowest incremental cost of gas purchased by the Utility during the prior month for gas delivered to the Utility within the state of Arizona.
 - (b) For any remaining negative imbalance quantity, the customer shall pay the Utility for the imbalance quantity at the otherwise applicable gas sales tariff rate.
 - (c) The customer may trade any remaining imbalance pursuant to this section; however, if a customer does not enter into a trade for any remaining imbalance quantity, the Utility will clear the remaining imbalance by utilizing paragraph (a) or (b) above, as applicable.